

Construction Memo No. 2-02

MEMO TO: Chief District Engineer
TEBM's for Construction
District Construction Engineer
Resident Engineers
Active Consultant Engineers

FROM: Dexter Newman, P. E. Director
Division of Construction

DATE: January 25, 2002

SUBJECT: Renewed Mowing Contracts
Fuel Price Adjustment

Similarly to Subsection 109.07 of the Standard Specifications, the Department is making an adjustment to offset the fluctuating costs of diesel fuel on the subject projects. Attached is a sample change order that includes the formula to be used for the adjustment. Please apply the change order retroactively to all year 2001 mowing cycles for projects that were renewed from previous years. For project let in 1999, use November 1999 as base month. For project let after January 1, 2000, use month project was let as base index. Any change order written contrary to this procedure should be rewritten and submitted or additional change order executed.

Any projects renewed for 2002 cycle should include a note for fuel adjustment for renewal. The project for 2002 cycle will use the month the project was let as base.

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NOTE for change order renew for 2002:

Similarly to Subsection 109.07 of the Standard Specifications, the Department is making an adjustment to offset the fluctuating costs of diesel fuel on a project that was issued a Notice to Begin Work in a calendar year other than the specified completion date.

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The Department will adjust the Contractor's compensation when the average price of diesel fuel increases or decreases more than 5 percent. The change in average fuel price is the average reseller price of diesel fuel, excluding taxes, discounts, and superfund line items, in the Kentucky region for index month originally let compared to the average reseller price of diesel fuel, excluding taxes, discounts, and superfund line items, in the Kentucky region for the month that the Contractor started the mowing cycle.

The Department will determine the price adjustment using the following formula:

Fuel Price Adjustment = $E \times 0.15 \times (C-5)/100$

Where:

E = Sum of amounts earned for the bid items Pre-Derby Mowing, Right-of-Way Mowing Type 2, and Right-of-Way Mowing Type 3 each month.

0.15 = The fuel cost percentage for the bid item.

C = Change in average fuel price for that month in percent compared month originally let.

Payments and Deductions. The Department will adjust the Contractor's compensation, item for "Fuel Price Adjustment". Only cycles completed in year 2002 will be adjusted. Each mowing cycle in 2002 will be summarized and added to total monies due for this item of work. The Department will make the final adjustment of the Contractor's compensation on the final estimate for the project.

If later price decreases indicate that the Department made an overpayment, the Department will withhold the overpayment from succeeding pay estimates on the project, or the Contractor shall immediately refund the over payment to the Department.

When the Contractor performs work any month after the month that the Contract time (including all approved time extensions) expires, the Department will use the average price for the month that the Contractor places the material or the average price for the last month of the Contract time; whichever is least.

Contract time will not be adjusted for this item.

Only bid items of Pre-Derby Mowing, Right-of-Way Mowing Type 2, and Right-of-Way Mowing Type 3 each month will be adjusted for work completed in year 2002.

Construction Memo # ---02 outlines payment for Fuel Adjustments for Mowing projects.